

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**SB 1917 – HB 1898**

March 12, 2014

**SUMMARY OF ORIGINAL BILL:** Declares it is the goal of the state to reduce the amount of solid waste disposed of at Class I municipal solid waste disposal facilities and incinerators by 25 percent until December 31, 2015, by 38 percent between January 1, 2016 and December 31, 2017, and by 50 percent beginning January 1, 2018. Requires any municipal solid waste region failing to meet such waste reduction goals to implement a residential curbside collection of source-separated recyclable materials, provide notice of the opportunity to recycle to households, and promote source separation of recyclable materials through a public education program as well as implementing one of nine specified programs. Requires the Department of Environment and Conservation (TDEC) to give priority to solid waste regions that fail to meet such goals when issuing grants.

**FISCAL IMPACT OF ORIGINAL BILL:**

Decrease State Revenue - \$78,300/Solid Waste Management Fund/FY15-16  
\$30,500/Environmental Protection Fund/FY15-16

\$156,600/Solid Waste Management Fund/FY16-17  
\$60,900/Environmental Protection Fund/FY16-17

\$234,900/Solid Waste Management Fund/FY17-18  
\$91,400/Environmental Protection Fund/FY17-18

\$313,200/Solid Waste Management Fund/FY18-19  
\$121,800/Environmental Protection Fund/FY18-19

\$522,000/Solid Waste Management Fund/FY19-20  
\$203,000/Environmental Protection Fund/FY19-20

Increase State Expenditures - \$5,600/One-Time  
\$55,700/Recurring

Increase Local Revenue - \$123,500/FY15-16  
\$247,100/FY16-17  
\$370,700/FY17-18  
\$494,200/FY18-19  
\$823,700/FY19-20

**SB 1917 – HB 1898**

Decrease Local Expenditures – \$2,397,700/FY15-16  
\$4,795,500/FY16-17  
\$7,193,200/FY17-18  
\$9,590,900/FY18-19  
\$15,984,900/FY19-20

Increase Local Expenditures - Exceeds \$13,564,100/FY15-16\*  
Exceeds \$5,813,500/FY16-17 to FY17-18\*

**SUMMARY OF AMENDMENT (014072):** Adds new sections to the original bill language. Requires the state plan to identify incentives and systems that political subdivisions of the state may use to facilitate recycling and reuse of construction waste. Requires the state solid waste management plan developed by the Department of Environment and Conservation to include recommendations for large scale composting in major metropolitan areas, composting strategies that may be applied to specific types of waste producers, and recommendations for a statewide system of collecting recyclable plastics that is based on regional collection centers.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- Based on information provided by TDEC, in 2012, 5,800,000 tons of waste was disposed of in Class I landfills; and the state had a diversion rate of 34 percent.
- The bill as amended would require the diversion of an additional four percent by December 31, 2017. TDEC estimates the statewide diversion rate would increase by 1.5 percent each year, beginning in FY15-16 until December 31, 2017.
- Class I landfills charge an average \$39 per ton as a gate fee, of which \$1.25 is remitted to the state.
- Of the \$1.25 per ton remitted to the state, \$0.90 is allocated to the Solid Waste Management Fund (SWMF) and \$0.35 is allocated for the Environment Protection Fund (EPF). If the amount of waste currently disposed in Class I landfills is reduced, it will reduce the amount of revenue collected by the state.
- If 1.5 percent of waste is diverted each year from Class I landfills, it will result in a decrease of 87,000 (5,800,000 tons of waste x 1.5% diversion rate) tons of waste in FY15-16. A decrease of 87,000 tons of waste will result in a total decrease in state revenue of \$108,750 (87,000 tons x \$1.25) in FY15-16 (\$78,300 from the SWMF and \$30,450 from the EPF).
- If an additional 1.5 percent of waste is diverted the following year it will result in a further decrease of 174,000 (5,800,000 x 3%) tons of waste, and a total decrease in state revenue of \$217,500 (174,000 tons x \$1.25) in FY16-17 (\$156,600 from SWMF and \$60,900 from EPF).

- There will be a further decrease of 261,000 ( $5,800,000 \times 4.5\%$ ) tons of waste in Class I landfills and a decrease in state revenue of \$326,250 ( $261,000 \text{ tons} \times \$1.25$ ) in FY17-18 (\$234,900 from the SWMF and \$91,350 from the EPF).
- Further decreases of 348,000 ( $5,800,000 \times 6\%$ ) tons of waste and a decrease in state revenue of \$435,000 ( $348,000 \text{ tons} \times \$1.25$ ) are estimated for FY18-19 (\$313,200 from the SWMF and \$121,800 from the EPF).
- Beginning January 1, 2018 the goal would be an additional reduction of 10 percent in disposed waste for a total of a 50 percent reduction, which would result in a decrease of 580,000 ( $5,800,000 \times 10\%$ ) tons of waste and a decrease in state revenue of \$725,000 ( $580,000 \text{ tons} \times \$1.25$ ) beginning in FY19-20 (\$522,000 from the SWMF and \$203,000 from the EPF).
- The remaining \$37.75 (\$39 average gate fee - \$1.25 remitted to state) of the gate fee that is collected is revenue for the landfill. If there is a decrease in the amount of waste deposited by a local government, there will be a decrease in local expenditures from no longer having to remit such fee per ton of waste deposited.
- According to TDEC, 19 of the 35 Class I landfills are owned by local governments and approximately 27 percent of waste is deposited at landfills which are owned by local governments.
- Any decrease in local government expenditures for payment of the gate fee to landfills owned by local governments will result in an equal corresponding decrease in local government revenue by the local government owning the landfill. Because such impact is occurring between two local government entities, the net fiscal impact is estimated to be not significant.
- The remaining 16 Class I landfills are privately owned and receive approximately 73 percent, or 4,234,400 ( $5,800,000 \text{ total tons of waste} \times 73\%$ ) tons, of waste annually from local governments.
- If 1.5 percent of waste is diverted from privately owned landfills, it will result in a decrease in waste by 63,516 ( $4,234,400 \text{ tons of waste} \times 1.5\% \text{ diversion rate}$ ) tons and a decrease in local government expenditures of \$2,397,729 [ $63,516 \text{ tons} \times \$37.75 \text{ fee}$ ] in FY15-16.
- In FY16-17, after diversion of an additional 1.5 percent of waste from privately owned landfills, there will be a decrease in waste by 127,032 ( $4,234,400 \times 3\%$ ) tons and a decrease in local government expenditures of \$4,795,458 ( $127,032 \text{ tons} \times \$37.75$ ).
- In FY17-18, after diversion of an additional 1.5 percent of waste from privately owned landfills, there will be a decrease in waste by 190,548 ( $4,234,400 \times 4.5\%$ ) tons and a decrease in local government expenditures of \$7,193,187 ( $190,548 \text{ tons} \times \$37.75$ ).
- In FY18-19, after diversion of an additional 1.5 percent of waste from privately owned landfills, there will be a decrease in waste by 254,064 ( $4,234,400 \times 6\%$ ) tons and a decrease in local government expenditures of \$9,590,916 ( $254,064 \times \$37.75$ ).
- Beginning January 1, 2018 the goal would be an additional reduction of 10 percent in disposed waste for a total of a 50 percent reduction, which would result in a decrease of 423,440 ( $4,234,400 \times 10\% \text{ total reduction}$ ) tons of waste and a decrease in local expenditures of \$15,984,860 ( $423,440 \text{ tons} \times \$37.75 \text{ fee}$ ) beginning in FY19-20.
- TDEC will need an additional Environmental Specialist 4 to complete additional monitoring.

- Hiring an Environmental Specialist 4 will result in a recurring increase in state expenditures of \$55,700 (salary and benefits) and a one-time increase in state expenditures of \$5,600 (supplies).
- According to TDEC, in 2012 the 66 municipal solid waste regions reported an increase in local government revenue of \$8,236,714 statewide from the sale of recyclables at the 34 percent rate of recycling and diversion.
- Based on information provided by TDEC, recyclables can be sold for \$70-\$90 per ton.
- Local governments will receive an increase in revenue for recyclables sold.
- In FY15-16, a 1.5 percent increase in local revenue from the sale of recyclables will be \$123,551 ( $\$8,236,714 \times 1.5\%$ ).
- In FY16-17, a 3 percent increase in local revenue from the sale of recyclables will be \$247,101 ( $\$8,236,714 \times 3\%$ ).
- In FY17-18, a 4.5 percent increase in local revenue from the sale of recyclables will be \$370,652 ( $\$8,236,714 \times 4.5\%$ ).
- In FY18-19, a 6 percent increase in local revenue from the sale of recyclables will be \$494,203 ( $\$8,236,714 \times 6\%$ ).
- Beginning in FY19-20, a 10 percent increase in local revenue from the sale of recyclables will be \$823,671 ( $\$8,236,714 \times 10\%$ ).
- The provisions of the bill as amended would require any municipal solid waste region failing to meet the waste reduction and diversion goals specified in the bill to implement a residential curbside collection on the same day as residential garbage service is provided, provide notice of the opportunity to recycle to households who will receive residential curbside collection, and promote source separation of recyclable materials through a public education program.
- TDEC estimates an average cost of \$22.88 per year per household for monthly residential curbside collection of recyclables.
- Based on information provided by TDEC, there are approximately 1,098,260 households located within the municipal solid waste regions which have not met the current 25 percent goal.
- Assuming half of the households would be located in regions which would not meet the goal of 25 percent at the required deadline of December 15, 2015, there would be a mandatory increase in local expenditures exceeding \$12,564,094 [ $(1,098,260 \text{ households} \times 50\%) \times \$22.88 \text{ per household}$ ] in FY15-16 for implementation of residential curbside collection of recyclables, providing notice, and initiating educational programs.
- Based on information provided by TDEC, there are an additional 420,763 households within municipal solid waste regions who currently have less than 38 percent diversion.
- Assuming half of such households would be located within regions which would not meet the goal of 38 percent at the required deadline of December 31, 2017, there would be a mandatory increase in local expenditures exceeding \$4,813,529 [ $(420,763 \text{ households} \times 50\%) \times \$22.88 \text{ per household}$ ] FY17-18 for implementation of residential curbside collection of recyclables, providing notice to households, and initiating educational programs.
- Because there is not deadline for meeting the goal of 50 percent diversion, it is assumed mandated residential curbside collection of recyclables will not be enforced on local governments after January 1, 2018.

- It is unknown which one of the nine additional required programs local governments will choose to implement in addition to required residential curbside collection of recyclables, and the extent of any increase in local government expenditures for such implementation; therefore a precise mandatory increase in local government expenditures cannot be determined, however is reasonably estimated to exceed \$1,000,000 statewide in FY15-16 and FY17-18.
- According to information provided by TDEC, the required additions to the state solid waste management plan will not result in any significant fiscal impact to the department.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

/jrh